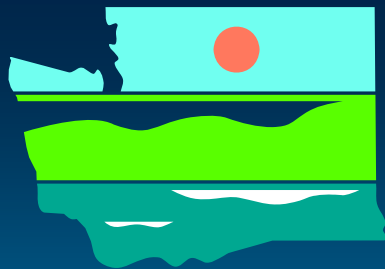


Water Quality Program

Financial Assistance

IACC 2006



WASHINGTON STATE
DEPARTMENT OF
ECOLOGY

Introduction

- **Today's Speakers:**

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- **Water Quality Program Web Address:**

<http://www.ecy.wa.gov/programs/wq/wqhome.html>

Session Goals

- Brief update on FY 2008 Funding Cycle
- Update on The Current Rule Amendment Process
- Brief Discussion on Facilities Project Technical Prerequisites

FY 2008 Application Cycle

- Closed on October 31, 2006, at 5:00 p. m.
- Next steps?

Funding List Development Process

FY 2008 Annual Water Quality Funding Cycle Process Steps



* Estimated Date

Estimated Funding For FY 2008 and FY 2009

2007-09 Biennial Budget – Estimated Funding Summary

Fund Source	Projected Funds Available FY 2008	Projected Funds Available FY 2009
Centennial Fund (Grants & Loans)	\$17.8 M^a	\$17.8 M^a
Section 319 Fund (Grants Only)	\$1.9 M^b	\$1.9 M^b
State Revolving Fund (Loans Only)	\$56.6 M^c	\$50.3 M^c

a. Based on the FY 2007 Supplemental Budget

b. Based on FFY 2007 Presidential Budget

c. Based on FFY 2007 Presidential Budget and Legislative Appropriation

Looking Ahead to Funding Cycle FY 2009

- Application Funding Cycle for FY 2009 opens on September 1, 2007.
- Other things to watch for in FY 2009: major rule amendment implementation.

Ongoing Rule Amendment Initiative

Rule scheduled to become effective for FY 2009

Amendment Recommendations to the Financial Assistance Regulations:

Chapter 173.95A WAC
*Uses and Limitations of Centennial Clean
Water Funds*

Chapter 173.98 WAC
*Uses and Limitations of the Water Pollution
Control Revolving Fund*

Major Categories to Review, Update, or Revise

- Identified through internal & external review
 1. Fund Structure
 2. Allocation of Funds
 3. General Eligibility
 4. Engineering Initiatives
 5. General Housekeeping

Our efforts to date...

- 4 initial public comment meetings
- 1 Alternative Contracting public comment meeting
- 8 multi-regional internal rule development workgroup meetings
- 2 Financial Advisory Council (FAC) meetings
- 3 FAC rule sub-committee meetings
- 3 PMT meetings

1. *Fund Structure*



B. Hardship Provisions

Present Provisions:	Challenges:	Recommendations:
<p>Current hardship:</p> <ul style="list-style-type: none">• Ecology attempts to reduce sewer rates as close to 1.5% median household as possible. <p>Hardship funding includes:</p> <ul style="list-style-type: none">• longer loan terms• lower interest rates• companion grants• unemployment differential if applicable	<ul style="list-style-type: none">• Too many zero interest loans may not maintain perpetuity of the fund• Some recipients need more or less hardship money depending on the sewer rate fee	<ul style="list-style-type: none">• Use a sliding scale to determine interest rates.• Discontinue companion loan requirement when a hardship grant is awarded.• Develop new hardship thresholds based on sewer user fee impact and population

Loan Only Hardship Provisions

(Interest rates as a % of Market Rate for Tax Exempt Municipal Bonds)

0% 20% (MR) 40% (MR) 60% (MR) MR

Severe
Hardship
(High sewer user
rates in relation
to MHI)

Non-Hardship
(Low sewer user
rates in relation
to MHI)

Represents
the
Loan
Subsidy

5.0 and above Between 3.0 -5. 0 Between 2.0-3.0 2.0 and below N/A
(Sewer User Fee as a percentage of Median Household Income (MHI))

For Example:

- **Loans (assuming that the Market Rate is 5%):**

If the applicant meets the following criteria:

- Population is less than 25k, and
- Demonstrates a financial need (sewer user rates for the proposed project are between 3 and 5 percent of Median Household Income)

The following outcome may apply:

- The applicant may be eligible for a 1% Loan (which also represents 20 percent of Market Rate)

Grant Only Hardship Provisions

(Grant eligibility is based on existing need and a \$5 million cap)

100% Grant (Severe Hardship--very high sewer user rates in relation to MHI) Hardship)	75% Grant	50% Grant	No grant (Non-Hardship— lower sewer user rates in relation to MHI))	Represents the Loan Subsidy
5.0 and above	Between 3.0 -5. 0	Between 2.0-3.0	2.0 and below	N/A
(Sewer User Fee as a percentage of Median Household Income (MHI))				

For Example:

- **Grants:**

If the applicant meets the following criteria:

- Population is less than 25k, and
- Demonstrates a financial need (sewer user rates for the proposed project are between 3 and 5 percent of Median Household Income)

The following outcome may apply:

- The applicant may be eligible for a 75% grant for existing residential need (not to exceed \$5M).

2. *Allocation of Funds*



D. Allocation of Competitive Centennial Grants

Present Provisions:	Challenges:	Recommendations:
<ul style="list-style-type: none">• Per statute, hardship is given priority based on sewer user fees.• 2/3 goes to facilities qualifying for hardship• 1/3 goes to activities grants• If demand is low in either category, funds may shift.	<ul style="list-style-type: none">• The financial need for both categories continues to increase.	<ol style="list-style-type: none">1. Keep present 2/3 – 1/3 provision.2. 50 % facilities /50 % activities3. (Minority opinion) No allocation, funds disbursed based on priority ranking list.4. (PMT Suggestion) Rating and ranking determines funding (no more than 2/3 for either category-if demand is limited, in either funds can shift amongst categories.

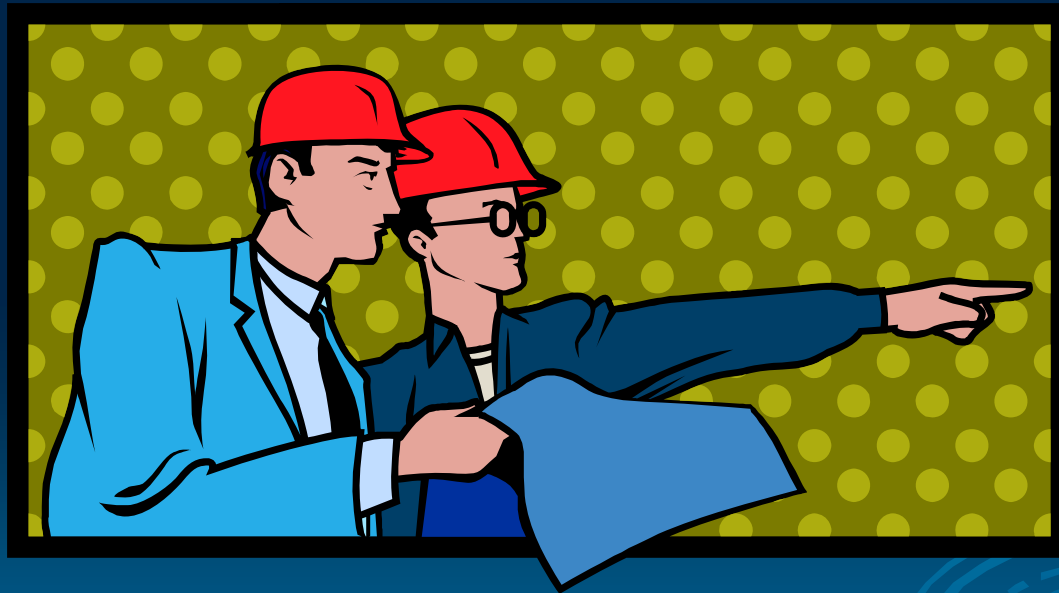
3. General Eligibility



G. Application Evaluation Criteria

Present Provisions:	Challenges:	Recommendations:
<ul style="list-style-type: none">• Public health & WQ problems 34%.• WQ problem & success measures 34%.• Local initiatives 12%.• State / federal mandates 10%.• Local priority 10%.	<p>Need flexibility to meet emerging needs and statutory directives</p>	<ul style="list-style-type: none">• Keep similar criteria, but remove percentages and build the concept of local priority into the application rather than a separate criteria

4. *Engineering Initiatives*



K. Alternative Contracting

Present Provisions:	Challenges:	Recommendations:
<ul style="list-style-type: none">• Facilities projects can proceed w/o completing step process.• Applicants only evaluated the year they apply.	<ul style="list-style-type: none">• Project costs have increased.• Interest rates that are too low on large loans threaten SRF perpetuity.• Project scope changes after application is submitted.	<ul style="list-style-type: none">• Suspend the Pilot Rule for 2008 & include updated provisions in full rule revision.• Require Ecology-approved facility plan at the time of application.• Establish ceiling that is consistent with step 3 (no more than 50% of the category per applicant)• If additional funds are needed, the local entity must reapply and compete for funding

N. Stormwater Activities & Facilities

Present Provisions:	Challenges:	Recommendations:
<ul style="list-style-type: none">• Stormwater projects are currently funded with loan and grant money.• Project components that are permit requirements are not grant eligible.	<ul style="list-style-type: none">• Concerns about the level & type of financial assistance for stormwater facilities & activities• There are competing demands on funds• 319 matching requirements	<ul style="list-style-type: none">• Develop facility hardship guideline provisions.• Develop <u>simple</u> hardship scale for “soft project elements” Based on the Statewide Median Household Income and population• Projects addressing a permit requirement continue to be loan eligible only (except hardship)

Additional Facilities Technical Prerequisite

Technical Requirements

- **Approved Plans by Application Deadline:**
 - Facility Plan for Design Loan
 - Design/Specifications for Construction Loan
- **State Environmental Review Process (SERP)**
 - Performed in Conjunction with Facilities Planning
 - Requires Active Consultation with Agencies to Identify Environmental Impacts
 - Increased focus on Governor's Executive order 05-05 – cultural resources review.

Thank You

We will be available after the presentation and during the conference to answer more questions.